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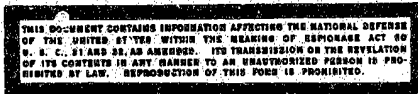
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TAIWAN'S INDUSTRIAL RECONSTRUCTION PROBLEM

Recovery from war damage has been the main consideration in the Taiwan machine industry since 1945 and the same situation prevails now as before restoration to China. Taiwan's machine industry remains confined to scattered and poorly equipped small units engaged primarily in repair operations. Boilers, tanks, bridge beams, scales, motors, mining equipment, airplanes and automobile parts, and boats are the main products. In 1942, the machine industry held fifth place in Taiwan's economic picture with an output valued at 32 million Taiwan yuan, or 4.6 percent of the whole.

After the war began, factories sprang up like mushrooms, and by its end there were three or four times as many as before, perhaps more than 400 altogether. Shipbuilding, and infant industry, took a spurt with the advent of the Japanese South Pacific campaign; then the building of power-junks was projected because of shipping losses. Beside the four dry docks, at the end of the war there were 13 shipyards in Taiwan, summarized as follows:

Capital	25,000,000 Taiwan Yuan
Workers	7,000
Power-junk annual building capacity	10,700 tons
Power-junk annual repair capacity	23,600 tons
Motorboat annual building and repair capacity	500,000 tons
Maximum capacity reached	1,200,000 tons

Factories were badly damaged by the end of the war. Many closed down and the workers were scattered. Soon after their restoration, it was arranged that some plants would be operated by the government, some by the province, and some by private interests. Since the 500 factories and 13 shipyards were mostly Japanese-owned or managed, almost the entire industry was included when enemy assets were taken over. The factories went to the Ministry of Economics, the yards to the Ministry of Communications. Later it was arranged that some units in each of these categories would be turned over to the joint management of the National Resources Commission and the Taiwan government. These units were given the names, Taiwan Machine Company, and Taiwan Shipbuilding Company. In addition, about 20 of the larger plants are managed directly by provincial officials under various company names. There are also several hundred private firms in the field, the largest being the Ta Tung Machine Works in Taihoku (T'ai-pei) and the T'ang-jung Ironworks in Takao (Kao-hsiung).

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Since the restoration the island has been prosperous. The machine industry, however, has met with difficulties. Since its products are so varied, mass-production methods cannot be used to a great extent. Also, this industry has been greatly affected by a shortage of materials, particularly iron and coking coal, aggravated by import difficulties. Cost fluctuations, slowness of capital turnover, and sales tied to a contract price while costs and wages rise also harass the factory owner. Required complex statistical reporting adds to his burdens.

Some of these obstacles may be met by increased management efficiency. Others require aid in the form of a relaxation of regulations on loans, imports, and exchange.

Geographically, Taiwan is near Chekiang, Fukien, Kwangtung, and the Philippines; in a domestic sense, southeast and southwest China; in a foreign sense, the islands on the south. This is a large region, populous and not industrialized. If Taiwan's abundant electric energy and cheap labor can be combined with low costs and high skills, with imported iron processed and exported for consumption, all South China and the southern islands can be made a market and competition begun with Japan, Britain, Australia, and India. Taiwan's machine industry, hitherto linked to Japan's national plans, must be reformed to meet new conditions. Fields in which future development is possible are outlined below:

1. Sugar-Processing Machines

Since 1901, when the Taiwan Government accepted Doctor Nitobe's suggestions for over-all improvement of the sugar industry, it has made remarkable growth. By taking advantage of the present and future needs of machines in the island, in cane-growing portions of South China, and even in Java and the Philippines, a large market can be built up, and Taiwan can become the manufacturing center for sugar-processing machines.

2. Cold-Storage Equipment

Taiwan and neighboring regions lie in Asia's tropical belt, where the climate is warm and goods spoil easily. Manufacture of such equipment can be projected on a large scale. There will be a market for air-conditioning and refrigerating units of various types and sizes.

3. Engines

The junk-building industry is fairly well developed in Taiwan. During the war there was a great need for junks, and most ironworks on the island manufactured medium and small semi-diesel /sig/ engines. In South China, oil-engines are generally used due to lack of coal. The small Taiwan machine shops can use the equipment they already have to supply various types of engines to local and overseas areas. A certain amount of government planning is advisable to maintain quality and ensure standardization of parts.

4. Chemical Equipment

The chemical industry in Taiwan, judged by quantity, capital, and value of products is prominent and still growing. The various types of equipment used in the industry can be produced on the island.

5. Vehicles

There are more than 1,000 kilometers of broad-gauge, and 3,000 kilometers of narrow-gauge railroad on the island resulting in a continual need for locomotives and cars. In South China, railroads are few, but rolling stock will be

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a primary need as lines are built and expanded. If Taiwan becomes a supply center, there are plenty of skilled workers and plants for establishing a car- and locomotive-building industry with raw materials imported from Manchuria or abroad.

The island has many miles of highways and many well-paved streets in the cities, where numerous men and women ride bicycles. Here is both a need and an opportunity for manufacture.

6. Agricultural Tools

The Japanese made improvements in farm tools for better farming. While not the most modern, they were cheap and easy to make. Manufacture of these could be promoted for sale on the mainland as well.

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